

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Menominee Township	County Menominee
Audit Date 3/31/05	Opinion Date 7/6/05	Date Accountant Report Submitted to State: 9/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Schenck SC			
Street Address 2200 Riverside Dr; PO Box 23819	City Green Bay	State WI	ZIP 54305-3819
Accountant Signature <i>Schenck SC</i>		Date 9/26/05	

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
MARCH 31, 2005

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
March 31, 2005

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Menominee Township Board
Menominee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menominee Township, Menominee County, Michigan ("the Township") as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Menominee Township, Menominee County, Michigan's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

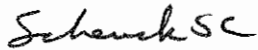
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of March 31, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and Cemetery special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* as of April 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Schenck SC".

Certified Public Accountants
Green Bay, Wisconsin
July 6, 2005

BASIC FINANCIAL STATEMENTS

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Statement of Net Assets
March 31, 2005

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,112,330
Receivables	
Accounts	21,309
Restricted assets	
Cash and investments	63,094
Capital assets, nondepreciable	
Land	1,602
Capital assets, depreciable	
Buildings and improvements	137,482
Machinery and equipment	42,313
Less: Accumulated depreciation	<u>(158,941)</u>
TOTAL ASSETS	<u>2,219,189</u>
LIABILITIES	
Accounts payable	<u>9,577</u>
TOTAL LIABILITIES	<u>9,577</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,456
Unrestricted	<u>2,187,156</u>
TOTAL NET ASSETS	<u><u>\$ 2,209,612</u></u>

The notes to the basic financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 204,917	\$ 1,163	\$ -	\$ -	\$ (203,754)
Public safety	42,000	-	-	-	(42,000)
Public works	36,857	-	-	-	(36,857)
Health and human services	18,756	4,500	-	-	(14,256)
Culture and recreation	9,562	-	-	-	(9,562)
Total Governmental Activities	312,092	5,663	-	-	(306,429)

General revenues

Taxes

Property taxes, levied for general purposes 49

Other taxes and franchise fees 7,722

Federal and state grants and other contributions

not restricted to specific functions 279,872

Landfill impact fees 141,635

Interest and investment earnings 12,188

Miscellaneous 5,506

Total general revenues and transfers 446,972

Change in net assets 140,543

Net assets - April 1 2,069,069

Net assets - March 31 \$ 2,209,612

The notes to the basic financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Balance Sheet
Governmental Funds
March 31, 2005

	General Fund	Cemetery	(Non-Major Fund) Cemetery Perpetual Care	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,083,887	\$ 28,443	\$ -	\$ 2,112,330
Receivables				
Accounts	21,309	-	-	21,309
Restricted cash and investments	-	-	63,094	63,094
TOTAL ASSETS	\$ 2,105,196	\$ 28,443	\$ 63,094	\$ 2,196,733
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 9,149	\$ 428	\$ -	\$ 9,577
Fund Balances				
Reserved for				
Cemetery perpetual care	-	-	63,094	63,094
Unreserved				
Designated for				
Subsequent year's expenditures	-	28,015	-	28,015
Subsequent year's budget	100,000	-	-	100,000
Undesignated, reported in				
General fund	1,996,047	-	-	1,996,047
Total Fund Balances	2,096,047	28,015	63,094	2,187,156
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,105,196	\$ 28,443	\$ 63,094	\$ 2,196,733

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown above \$ 2,187,156

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds 22,456

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3) \$ 2,209,612

The notes to the basic financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2005

	General Fund	Cemetery	(Non-Major Fund) Cemetery Perpetual Care	Total Governmental Funds
Revenues				
Taxes	\$ 49	\$ -	\$ -	\$ 49
Intergovernmental	279,872	-	-	279,872
Licenses and permits	149,645	-	-	149,645
Public charges for services	875	3,500	-	4,375
Miscellaneous	18,354	1,035	(695)	18,694
Total Revenues	448,795	4,535	(695)	452,635
Expenditures				
Current				
General government	200,736	-	-	200,736
Public safety	42,000	-	-	42,000
Public works	36,857	-	-	36,857
Health and human services	-	18,092	-	18,092
Culture and recreation	9,562	-	-	9,562
Capital outlay	-	14,727	-	14,727
Total Expenditures	289,155	32,819	-	321,974
Excess of Revenues Over (Under) Expenditures	159,640	(28,284)	(695)	130,661
Other Financing Sources (Uses)				
Transfers in	-	50,228	-	50,228
Transfers out	(50,228)	-	-	(50,228)
Total Other Financing Sources (Uses)	(50,228)	50,228	-	-
Net Change in Fund Balances	109,412	21,944	(695)	130,661
Fund Balances - April 1	1,986,635	6,071	63,789	2,056,495
Fund Balances - March 31	\$ 2,096,047	\$ 28,015	\$ 63,094	\$ 2,187,156

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown above \$ 130,661

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	\$ 15,947
Depreciation expense reported in the statement of activities	(6,065)
Amount by which capital outlays are greater than depreciation in current period	9,882

Change in Net Assets of Governmental Activities as Reported in the
Statement of Activities (see pages 3 - 4) \$ 140,543

The notes to the basic financial statements are an integral part of this statement.

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 77,857	\$ 77,857	\$ 49	\$ (77,808)
Intergovernmental	290,984	290,984	279,872	(11,112)
Licenses and permits	147,300	147,300	149,645	2,345
Public charges for services	1,250	1,250	875	(375)
Miscellaneous	46,000	46,000	18,354	(27,646)
Total Revenues	563,391	563,391	448,795	(114,596)
Expenditures				
Current				
General government	241,908	303,991	200,736	103,255
Public safety	49,000	49,000	42,000	7,000
Public works	218,881	218,881	36,857	182,024
Culture and recreation	118,826	118,826	9,562	109,264
Total Expenditures	628,615	690,698	289,155	401,543
Excess of Revenues Over Expenditures	(65,224)	(127,307)	159,640	286,947
Other Financing Sources (Uses)				
Transfers out	(34,776)	(34,776)	(50,228)	(15,452)
Net Change in Fund Balances	(100,000)	(162,083)	109,412	271,495
Fund Balances - April 1	1,986,635	1,986,635	1,986,635	-
Fund Balances - March 31	\$ 1,886,635	\$ 1,824,552	\$ 2,096,047	\$ 271,495

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Cemetery
Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Public charges for services	\$ 2,000	\$ 2,000	\$ 3,500	\$ 1,500
Miscellaneous	1,000	1,000	1,035	35
Total Revenues	3,000	3,000	4,535	1,535
Expenditures				
Current				
Health and human services	20,276	20,276	18,092	2,184
Capital outlay	17,500	17,500	14,727	2,773
Total Expenditures	37,776	37,776	32,819	4,957
Excess of Revenues Over Expenditures	(34,776)	(34,776)	(28,284)	6,492
Other Financing Sources (Uses)				
Transfers in	34,776	34,776	50,228	15,452
Net Change in Fund Balances	-	-	21,944	21,944
Fund Balances - April 1	6,071	6,071	6,071	-
Fund Balances - March 31	\$ 6,071	\$ 6,071	\$ 28,015	\$ 21,944

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Statement of Net Assets
Agency Funds
March 31, 2005

	Tax Collection
ASSETS	
Cash and cash equivalents	\$ 177
Accounts receivable	
Taxes receivable	<u>6,216</u>
 TOTAL ASSETS	 <u><u>\$ 6,393</u></u>
 LIABILITIES	
Due to other governments	<u>\$ 6,393</u>
 TOTAL LIABILITIES	 <u><u>\$ 6,393</u></u>

The notes to the basic financial statements are an integral part of this statement.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Menominee Township, Menominee County, Michigan ("the Township"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Township are described below:

1. Reporting Entity

Menominee Township is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Township (the primary government) and any separate component units that have a significant operational or financial relationship with the Township. The Township has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. Joint Ventures

The Township is a participant with Ingallston Township, Menominee County, Michigan in a joint venture to operate a landfill transfer station. The Menominee and Ingallston Township Transfer Station Board was created for that purpose. The Menominee and Ingallston Transfer Station is governed by a ten-member board composed of members from both Township Boards. The Townships are obligated by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. During 2004/2005 operating appropriations from the Townships were not needed. Complete financial statements for the Menominee and Ingallston Transfer Station can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall.

The Township is also a participant with Ingallston Township, Menominee County, Michigan, in a joint venture to operate the Menominee-Ingallston Township Fire Department. The Menominee-Ingallston Fire Department Board was created for that purpose. The Menominee-Ingallston Fire Department is governed by a ten-member board composed of members from both Township Boards. The Townships are obligated to by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. During 2004/2005, Menominee Township remitted an operating appropriation of \$42,000 to the Menominee-Ingallston Fire Department. Complete financial statements for the Menominee-Ingallston Fire Department can be obtained from the Menominee Township Clerk's office at the Menominee Township Hall.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general and special revenue funds. The Township has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

GENERAL FUND

This is the Township's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CEMETERY FUND

This fund accounts for the operating resources and expenditures of the Township's cemetery.

Additionally, the government reports the following fund type:

The Township accounts for property taxes collected on behalf of other governments in an *agency fund*.

4. **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources, as they are needed.

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined on the balance sheet. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The Township owns no infrastructure assets. Capital assets are defined by the Township as assets with an initial, individual cost of \$100 or higher and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities
	Years
Buildings	10 - 40
Machinery and equipment	3 - 10

e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

7. Change in Accounting Principles

The Township adopted GASB Statements No. 34, 37 and 38 effective April 1, 2004. These Statements require the Township to include government-wide financial statements using the economic resources measurement focus. With this measurement focus, all assets and liabilities (including general capital assets, infrastructure and related debt) are included on the statement of net assets. Previously, the current financial resources measurement focus was used whereby only current assets and current liabilities were included on the financial statements.

The previous requirement for fund financial statements is further modified to present information for individual major funds rather than by fund type. Nonmajor funds are presented as a total in a single column.

Due to the significance of the above changes and changes to fund structure, it was not practical to present comparative data for the 2004 fiscal year in the basic financial statements.

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During March, the Township proposes an operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Township Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general and special revenue funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Township. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Township Board.
- e. Encumbrance accounting is not used by the Township to record commitments related to unperformed contracts for goods or services.

The Township did not have any material violation of legal or contractual provisions for the fiscal year ended March 31, 2005.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Township maintains various cash and investment accounts, including pooled funds, that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The carrying amount of the Township's cash and investments totaled \$2,175,601 on March 31, 2005 as summarized below:

Deposits with financial institutions	\$ 906,389
Investments	1,269,212
	<u>\$2,175,601</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$2,112,330
Restricted cash and investments	63,094
Fiduciary funds	
Agency fund	177
	<u>\$2,175,601</u>

Additional information on the above deposits and investments follows:

Deposits - Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$100,000 per credit union member. At year end, the bank balance of the Township's deposits totaled \$908,331. Of this amount, \$327,558 was insured by FDIC insurance and \$100,000 was covered by NCUSIF insurance, leaving a balance of \$480,773 uninsured. No amounts have been collateralized.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Investments - The Township's investments are categorized below in accordance with GASB Statement No. 3 in order to provide an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty.

	Category			Carrying Amount	Market Value
	1	2	3		
Cash and money markets	\$2,412	\$ -	\$ -	\$ 2,412	\$ 2,412
U.S. Government obligations	-	-	1,199,089	1,199,089	1,199,089
Mutual Funds in U.S. government obligations	-	-	67,711	67,711	67,711
	<u>\$2,412</u>	<u>\$ -</u>	<u>\$1,266,800</u>	<u>\$1,269,212</u>	<u>\$1,269,212</u>

2. Restricted Assets

Restricted assets on March 31, 2005 totaled \$63,094 and consisted of cash and investments held for the following purpose:

Permanent Fund

Cemetery perpetual care

\$63,094

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,602	\$ -	\$ -	\$ 1,602
Total capital assets, not being depreciated	1,602	-	-	1,602
Capital assets, being depreciated:				
Buildings and improvements	123,132	14,350	-	137,482
Machinery and equipment	43,224	1,597	2,508	42,313
Subtotals	166,356	15,947	2,508	179,795
Less accumulated depreciation for:				
Buildings and improvements	119,636	698	-	120,334
Machinery and equipment	35,748	5,367	2,508	38,607
Subtotals	155,384	6,065	2,508	158,941
Total capital assets, being depreciated, net	10,972	9,882	-	20,854
Governmental activities capital assets, net	\$ 12,574	\$ 9,882	\$ -	22,456
Less related long-term debt outstanding				-
Investment in capital assets, net of related debt				\$ 22,456

Depreciation expense was charged to functions of the Township as follows:

Governmental activities	
General government	\$5,778
Health and human services	287
Total depreciation expense - governmental activities	\$6,065

4. Interfund Receivable, Payables, and Transfers

Interfund transfers for the year ended March 31, 2005 were as follows:

Transfers from:	Transfer to:
General fund	Cemetery Fund
	\$50,228

Transfer to cemetery fund was to finance operating activity of the Township's cemetery.

MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN
Notes to Basic Financial Statements
March 31, 2005

NOTE D - OTHER INFORMATION

1. Retirement Plan

The Township has a defined contribution pension plan covering only the Township board members. The Township's pension contribution for the year ended March 31, 2005 was \$13,397. There are no unfunded liabilities. The Township's contributions are based upon the prior year compensation for each board member.

2. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Township completes an annual review of its insurance coverage to ensure adequate coverage.

3. Contingencies

From time to time, the Township is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Township's financial position or results of operations.

SUPPLEMENTAL INFORMATION

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

General Fund

Detailed Comparison of Budgeted and Actual Revenues
Year Ended March 31, 2005

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes				
Property taxes for Township purposes	\$ 77,857	\$ 77,857	\$ -	\$ (77,857)
Delinquent property taxes	-	-	49	49
Total Taxes	77,857	77,857	49	(77,808)
Intergovernmental				
State shared taxes	284,179	284,179	272,642	(11,537)
Summer tax state revenue	6,805	6,805	7,015	210
CFR and swamp	-	-	215	215
Total Intergovernmental	290,984	290,984	279,872	(11,112)
Licenses and Permits				
Licenses and permits	200	200	288	88
Landfill impact fees	140,000	140,000	141,635	1,635
Cable television	7,100	7,100	7,722	622
Total Licenses and Permits	147,300	147,300	149,645	2,345
Public Charges for Services				
Rent - Town hall	1,250	1,250	875	(375)
Miscellaneous				
Interest on investments	35,000	35,000	12,848	(22,152)
Refunds and rebates	11,000	11,000	5,348	(5,652)
Other	-	-	158	158
Total Miscellaneous	46,000	46,000	18,354	(27,646)
Total Revenues	\$ 563,391	\$ 563,391	\$ 448,795	\$ (114,596)

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

General Fund

Detailed Comparison of Budgeted and Actual Expenditures
Year Ended March 31, 2005

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Township board	\$ 31,850	\$ 33,032	\$ 25,447	\$ 7,585
Supervisor	19,400	19,400	17,156	2,244
Elections	3,600	13,233	12,452	781
Assessor	29,800	29,800	27,952	1,848
Clerk	26,500	26,500	22,498	4,002
Board of review	2,300	2,300	713	1,587
Treasurer	29,300	32,900	29,626	3,274
Legal and audit	42,000	42,000	16,620	25,380
Township hall and grounds	21,250	20,068	17,547	2,521
Property and liability insurance	11,000	11,894	11,949	(55)
Pension and benefits	18,500	20,191	18,776	1,415
Contingency	6,408	52,673	-	52,673
Total General Government	241,908	303,991	200,736	103,255
Public Safety				
Fire protection	49,000	49,000	42,000	7,000
Public Works				
Street lighting	5,000	5,000	3,847	1,153
Street traffic lights	600	600	296	304
Street signs	1,200	1,200	1,146	54
Street maintenance	150,000	150,000	31,568	118,432
Garbage collection	62,081	62,081	-	62,081
Total Public Works	218,881	218,881	36,857	182,024
Culture and Recreation				
Recreation	118,826	118,826	9,562	109,264
Total Expenditures	\$ 628,615	\$ 690,698	\$ 289,155	\$ 401,543

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Menominee Township Board
Menominee County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menominee Township, Menominee County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Menominee Township's basic financial statements and have issued our report thereon dated July 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menominee Township, Menominee County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Menominee Township, Menominee County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

Schenck sc

Certified Public Accountants
Green Bay, Wisconsin
July 6, 2005

**REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL
AND
OTHER COMMENTS AND OBSERVATIONS**

**MENOMINEE TOWNSHIP
MENOMINEE COUNTY, MICHIGAN**

MARCH 31, 2005

MENOMINEE TOWNSHIP
Menominee County, Michigan
March 31, 2005

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Menominee Township Board
Menominee County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Menominee Township as of and for the year ended March 31, 2005, which collectively comprise the Menominee Township's basic financial statements and have issued our report thereon dated July 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Menominee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

Schenck sc

Certified Public Accountants
Green Bay, Wisconsin
July 6, 2005



SUMMARY FINANCIAL INFORMATION

Governmental Fund Balances

Presented below is a summary of the Township's fund balances on March 31, 2004, including a comparison to the prior year. This information is provided to assist the Township Board in assessing financial results for 2003/2004 and to indicate financial resources available at the start of the 2004/2005 budget year.

	3/31/05	3/31/04
General Fund		
Designated for subsequent years expenditures		
Park improvements	\$ 100,000	\$ 100,000
Undesignated	1,996,047	1,886,635
Total General Fund	<u>2,096,047</u>	<u>1,986,635</u>
Special Revenue Funds		
Cemetery operations	<u>28,015</u>	<u>6,071</u>
Permanent Fund		
Cemetery perpetual care	<u>63,094</u>	<u>63,789</u>
Total Fund Balances	<u>\$2,187,156</u>	<u>\$2,056,495</u>

We encourage local governments to maintain a general fund undesignated fund balance to meet operating cash flows. The above undesignated amount of \$2,096,047 at March 31, 2005 represents, in our opinion, more than an adequate fund balance based upon 2004/2005 expenditures.

Under current spending levels in the general fund of approximately \$290,000, the general fund's undesignated fund balance would be sufficient to finance the Township's operations for over 7 years. Given this unique situation of having a large fund balance in relation to annual expenditures we recommend the Township consider the following:

- Begin working on developing a 5-10 year capital projects plan by identifying possible areas for capital expenditures. Examples are as follows:
 1. New park equipment included in the 2005/2006 budget.
 2. Future Fire Department capital needs (fire station, fire equipment).
 3. Road maintenance and construction schedule.
 4. Other items as identified by the board or Township citizens.

OTHER COMMENTS AND OBSERVATIONS

GENERAL

1. Implementation of GASB Statements No. 34, 37 and 38

The Township's 2005 financial statements are presented in accordance with the new financial reporting model for governmental entities as required by GASB Statements No. 34, 37 and 38. Various restatements were made to the financial statements to conform to the new financial reporting model. Due to the significance of the restatement and changes to fund structure, it was not practical to present comparative data for the 2004 calendar year in the basic financial statements.

While fund financial statements are still included in the Township's Annual Financial Report, the new reporting model offers many new features which we have summarized below:

- *Government-wide Financial Statements.* A "Statement of Net Assets" and a "Statement of Activities" have been added to the Township's basic financial statements. These statements consolidate financial reporting for governmental and business-type activities of the Township. In addition, governmental activities in the government-wide financial statements are now accounted for in the same way as business-type activities (full accrual accounting) to provide financial statement users with a long-term financial perspective on these activities. Accordingly, capital assets including infrastructure (streets) and debt issued by the Township are reported within the governmental activities. The new government-wide financial statements complement the Township's fund financial statements which continue to be reported on the short-term focus traditionally associated with these activities.

The Statement of Activities classifies expenses, including depreciation on capital assets, to functional areas. Revenues have been further classified into program revenues (those derived directly from a specific function) and general revenues (includes taxes, grants not relating to a specific program and interest income).

- *Major Fund Disclosures.* In the past, the Township's fund financial statements have aggregated all information for a fund type into one column. The new reporting model requires fund financial data to be included in the Township's basic financial statements for all major funds of the Township. The Township's major governmental funds are the general fund, and cemetery fund. All other funds are aggregated and reported as nonmajor funds in the fund financial statements. This additional reporting of major fund information should be more useful to the Township's financial statement users.
- *Additional Budgetary Reporting.* In the past, comparisons of the Township's actual results were based on the final amended budget of the Township. Under the new reporting model, both the original and final amended budgets are presented for the general and any major special revenue funds.

GASB 34 also suggests that each government include in its annual financial report a Management's Discussion and Analysis (MDA). This discussion is prepared solely by the entity and briefly summarizes the financial positions and results of the current year. For the 2005 fiscal year the Township did not complete the MDA. This is something the Township may want to consider in the future.

OTHER REQUIRED COMMUNICATION

In accordance with the requirements of government auditing standards generally accepted in the United States of America, the following disclosures are presented:

1. **Significant Accounting Policies**

The significant accounting policies used in the preparation of the financial statements are disclosed in Note A to the basic financial statements. There have been no material unusual transactions or controversial accounting issues.

2. **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

3. **Significant Audit Adjustments**

The financial statements reflect all accounting adjustments proposed during our audit. None of the adjustments were considered significant to the financial condition or operating results of the Township. Copies of the audit adjustments are available from management.

4. **Other Information in Documents Containing Audited Financial Statements**

All the information included in the basic financial statements has been audited. Our responsibilities are addressed in the Independent Auditors' Report.

5. **Disagreements with Management**

We have had no material disagreements with management. For the purposes of this disclosure, professional accounting standards define a disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report.

6. **Consultations with Other Auditors**

To the best of our knowledge, management has not consulted with or obtained opinions from other independent auditors on auditing and accounting matters during the past year.

7. **Issues Discussed Prior to the Current Audit**

We have discussed various accounting and financial issues, including the application of any new and changed accounting principles or auditing standards, with management prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

8. **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing the audit.